SUMMARY
TESTIMONY OF
BENJAMIN S. COOPER
EXECUTIVE DIRECTOR, ASSOCIATION OF OIL PIPE LINES

BEFORE THE HOUSE COMMITTEE ON ENERGY AND COMMERCE
ON

HURRICANE KATRINA'S EFFECT ON GASOLINE SUPPLY AND PRICES

SEPTEMBER 7, 2005

The objectives of this testimony are to provide information on:

- The effects of Hurricane Katrina on the nation's oil pipeline system
- How oil pipeline shipping services are priced
- The role of oil pipelines in the distribution of crude oil and refined products

Effects of Hurricane Katrina

Five pipeline systems were initially unable to resume operations after the hurricane. They are Colonial Pipeline, Plantation Pipeline (both providing refined products the southeast and east coast), Capline Pipeline (providing crude oil to the Midwest), the Louisiana Offshore Oil Port, and Dixie Pipeline which transports propane to the southeast. These pipelines suffered no physical damage and all have resumed operations. These oil pipelines expect to be back to normal operations when sufficient and reliable electricity comes on line and when oil is available. All other major interstate oil pipelines continue to operate under normal conditions.

How pipeline shipping services are priced

Oil pipeline rates are federally regulated by the FERC. An oil pipeline company does not own the oil it transports and does not benefit from any increase in the price of the commodities it transports.

Typically oil pipeline transportation rates range from 1 to 5 cents per gallon and are independent of the value of the oil being transported. The revenue received by pipelines is a few cents per gallon, regardless of the sale price of that gallon, whether the sale price is $1.00, $2.00, $3.00 or more. In addition, pipelines must accept any nominations for shipment provided they meet certain physical specifications.

The role of oil pipelines in the distribution of crude oil and refined products

Oil pipelines are a critical part of the energy system (oil, gas, electric) which is extremely interdependent, as has been highlighted by this tragedy. Measured in barrel miles, the nation's 200,000 miles of oil pipelines provide about 2/3 of the petroleum transportation in the U.S. Oil is moved through pipelines by large pumps powered by electricity that is really only feasibly available through the electric grid. Oil pipelines systems include storage facilities as needed to facilitate transportation of several different products within the same line. Movements of product have to be carefully coordinated to maintain the specifications of specific fuels.